Public Accounts – Communications Contingency Planning

DRAFT – CONFIDENTIAL ADVICE TO CABINET

Issue:

There is potential that the Auditor General will issue a qualified audit opinion on the 2015-16 Public Accounts of Ontario.

Strategic Approach:

- Communications approach is to remain **neutral and factual -** balancing the need for the government to state its position, **while demonstrating respect for all parties involved**, i.e. AG, members of the Legislative Assembly and public.
- Position government as **cooperative and diligent** and acting with **integrity** in its attempt to resolve the issue.
- Narrative will **highlight complexity** of the issue and that it **requires ongoing deliberations** to reach a mutually agreeable solution.
- Communications tactics will be **scalable and flexible** to give the government the ability to **employ multiple channels to communicate** its position.
- Government can also **leverage** new tools like **data visualizations** and a new whiteboard video as well as recent updates to the FSD&A **to demonstrate its commitment to transparency** (optional and TBC dependent on final data being received).
- To the extent that circumstances allow, the communications approach and tactics will **leverage third party advice** in its messaging.

Communications objectives:

1. **Communicate clearly** the government's position on the treatment for pension assets **without overcomplicating the issue.**
2. **Reassure** the public and stakeholders that the province's fiscal situation is fairly presented in the Public Accounts and stable in regards to the fiscal plan.
3. **Demonstrate** the government's commitment to **openness and transparency.**
4. Continue supporting a **positive working relationship** with the Office of the Auditor General.

Scenarios:

Four scenarios are currently under consideration:

1. **Delay release** of Public Accounts
   OR
2. **Accept a qualified** audit opinion
   OR
3. **Receive an unqualified** audit opinion
   OR
4. **Government aligns with Auditor General's interpretation (NEW)**

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Scenario 1 – Delay the release of Public Accounts

Option 1 – Delay without amendments

Overview:

- Public Accounts would **not be tabled** by the deadline, but X days later.
- TBS MO to liaise with GHLO to **confirm next steps** on this option.
- Approach would involve **no legislative action**, but would inform the Legislature of the delay.
- No requirement to disclose the issue, **simply acknowledge** that senior ministry officials are working with the Auditor General to receive her final audit opinion.
- Tone is high level and demonstrates government's **commitment to the integrity** of the Public Accounts.

Key Considerations:

- Significant legal risks have been identified including that an extension of this nature would not prevent debate on the late tabling of the Public Accounts or prevent a court challenge regarding the failure to table the Public Accounts within the current FAA statutory deadline.
- Avoids the process of introducing an amendment regarding the delay in the Public Accounts.
- Media and Opposition will call into question the government's reason for delaying the publication of Public Accounts. They may also imply that the government is withholding key financial information for reasons other than just resolving the issue with the Auditor General.
- Delaying the Public Accounts may not lead to a resolution of the issue with the Auditor General, causing the government to receive a qualified audit opinion as an end result.

Potential Communication Tactics and Products

- Very brief statement in the House or point of order in the House
- Holding messaging for Minister
- Written media statement available to use as a scale up tactic
- Supplementary Qs&As

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Auditor General will receive letter from government outlining	Communication tactics will be prepared to respond to any Auditor General	See draft statement as scale up tactic

Issue/Consideration	Mitigation Strategy	Key Message*
next steps. **(Minister's Statement in the House timing TBD)**	statements.	
Auditor General may indicate she has already provided her views and that she won't change her mind.	Remain at a high level overview of issues that remain to be resolved, but will also avoid pitting the government against the Auditor General.	• We are working closely with the Office of the Auditor General to resolve an accounting issue. • We are committed to transparent financial reporting. • I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan to finalize the Public Accounts by X date.
Opposition and media may ask additional questions as to the reason for the delay.	Communications will be clear that the Province intends to release its Public Accounts by a certain date.	• I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan to finalize the Public Accounts by X date.

Option 2 – Delay with amendments

Overview:

- Amend the Financial Administration Act to allow the government to table Public Accounts beyond the legislated deadline of Sept. 27. Amendments could be made to:
    a) Implement a new deadline (timing TBD)
    b) Add new language based that on that found in the Fiscal Transparency and Accountability Act
    c) Allow the Minister to make a statement to as to what, in her opinion, gave rise to extraordinary circumstances to explain why the deadline wasn't met

- Tone is **cooperative and respectful** and demonstrates government's **commitment to the integrity** of the Public Accounts by taking time to resolve issue.

Key Considerations:

- Media and Opposition will call into question the government's reason for delaying the publication of Public Accounts. They may also imply that the government is withholding key financial information for reasons other than just resolving the issue with the Auditor General.

- Delaying the Public Accounts may not lead to a resolution of the issue with the Auditor General, causing the government to receive a qualified audit opinion as an end result.

Potential Communications Tactics and Products:

- Very brief introduction of amendment.
- Holding messaging for Minister
- Supplementary Qs&As
- Minister's media statement

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Opposition and media may also imply that the government is withholding key financial information.	Communications will be clear that the Province intends to release its Public Accounts by a certain date.	• We are committed to transparent financial reporting. • I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan to finalize the Public Accounts by X date.
Auditor General may go public saying the Province's stance is unreasonable.	Communications will avoid pitting the government against the Auditor General. Overarching narrative will drive that this is simply a disagreement on interpretation.	• We have been fully transparent that there is an issue. Ministry officials and the Auditor General are continuing to work through this issue.
If the government introduces legislation, it will be required to support the bill as it moves through the House (eg. debates, time allocation TBC).	Repurpose statement and key messages as needed.	• There will be a delay in the tabling of Public Accounts this year as we need more time to finalize the documents. • We are working closely with the Office of the Auditor General to resolve an accounting issue. • We are committed to transparent financial reporting. • I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan to finalize the Public Accounts by X date.

Scenario 2 – Accept a qualified audit opinion

Option 1 – Accept a qualified audit opinion and propose establishing a panel to review issue

Overview:

- Government accepts a **qualified audit opinion** and reports the **results based on its interpretation** of the Public Sector Accounting Standards.

- This means the **financial results** reported in Public Accounts, including the 2015-16 deficit of $3.5 billion **remain unchanged**.

- AG's audit opinion would **disclose her estimate** of the impact on the province's results (that the overall **deficit should be higher by $1.5 billion, and that the currently reported pension assets ($10.6 billion)** should be written off and added to the accumulated deficit and net debt).

- Tone is **respectful,** but highlights that the **government does not agree** with the Auditor General based on its interpretation of the standards and feels that **to seek independent advice** would be in the public interest.

Key Considerations:

- Because this would be the **first time the Province has received a qualified audit opinion in 23 years**, it will attract **negative media and opposition reaction**. The public will also be confused as to what this means for the province's finances as well as pension plans.

- **Provides time** to have an independent panel understand the facts and considerations, but risks that external panel may ultimately agree with the Auditor General's reasons to qualify the Province's Public Accounts.

- The Auditor General is unlikely to agree to the creation a panel to review the issue. Therefore, any panel decision would be **non-binding** on the Auditor General.

- Allows opposition and media to call into **question the Province's financial position and reporting**. Puts onus on the government to explain the nuances of a complex accounting procedure – which the public is unlikely to understand.

- An MOF announcement, tracking for week of September 26 will give the Financial Accountability Officer (FAO) access to financial, economic or other information protected by the Cabinet Records exemption of the Freedom of Information and Protection of Privacy Act. This may have a **negative impact** on relationships with the Auditor General.

Potential Communications Tactics and Products:

- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools
- Government could consider organizing a technical briefing on the pension asset issue – TBC (include external experts/statements from external experts)

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
The public may not understand the complex accounting issues at	Communications will remain at a high-level and avoid going into detail to explain	• The province has received a qualified audit opinion from the Auditor General. The qualification relates to the Province's pension

Issue/Consideration	Mitigation Strategy	Key Message*
play.	the issue.	accounting standards and is the only qualified audit the province has received since it adopted Public Sector Accounting Board standards in 1994.
The Auditor General is seen as a credible and authoritative source.	Communications will avoid pitting the government against the Auditor General. Overarching narrative will drive that this is simply a disagreement on interpretation.	• We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.
Media and opposition will react negatively to a qualified opinion.	Communications will remain at a high-level and avoid going into detail to explain the issue.	• The treatment of pension assets is recognized as a complex accounting issue. • The Public Sector Accounting Board, the national standard setter, has initiated a project to review pension accounting standards and will be seeking input from governments, auditors and other stakeholders.
Auditor General will release her estimate of the Province's finances.	Communications will avoid pitting the government against the Auditor General. Overarching narrative will drive that this is simply a disagreement on interpretation.	• We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Option 2 – Accept a qualified audit opinion with commitment to continue to work with Auditor General over the next year to resolve issue

Overview:

- Government accepts a **qualified audit opinion** and reports the **results based on its interpretation** of the Public Sector Accounting Standards.

- This means the financial results reported in Public Accounts, including the 2015-16 **deficit of $3.5 billion remain unchanged**.

- However, the **AG's audit opinion would disclose her estimate** of her opinion of the error on the province's results.

- Government would focus on the fact that this is a **complex issue** and that they will continue to work with PSAB to determine best practice for the accounting treatment of pension assets.

- Tone is respectful, but highlights that the **government does not agree with the Auditor General**.

Key Considerations:
- See Scenario 2, Option 1.

- Issue communicated to PSAB to address (clarify guidance) as part of its project on Employee Future Benefits. Government could wait until PSAB updates the standards and then align itself accordingly.

Potential Communications Tactics and Products:
- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools
- Government could consider organizing a technical briefing on the pension asset issue – TBC (include external experts/statements from external experts)

Issues Management Strategy:

- See Scenario 2, Option 1

Scenario 3 – Receive an unqualified audit opinion

Option 1 – Auditor General agrees with Province's original interpretation and numbers

Overview:

- The Auditor General may agree that the Province's interpretation is a fair representation of pension assets.
- This means the **financial results** reported in Public Accounts, including the 2015-16 deficit of $3.5 billion **remain unchanged**.
- Communications strategy would focus on unqualified audit opinion as well as the Province's financial performance in beating its deficit targets.

Key Considerations
- With the issue of the qualification and revised numbers no longer an issue, individual ministry results could become the primary issue.

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Individual ministry results may become focus of media	Individual ministries have been tasked with preparing issues notes to support	• N/A

Issue/Consideration	Mitigation Strategy	Key Message*
coverage.	mitigating any issues in the media. TBS will provide corporate issues management support.	

Potential Communication Tactics and Products

- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools

Option 2 – Auditor General agrees with new accounting treatment based on third party opinion

Overview:

- Government has shared a third party opinion which agrees with the government's position that pension surplus can count as an asset, but recommends the government works with the Auditor General on the valuation of that asset.
- The Auditor General may agree that this accounting treatment is a fair representation of pension assets.
- This means the **financial results** reported in Public Accounts would be **slightly revised** to a $5 billion deficit in 2015-16, and a $1.5 billion increase in accumulated deficit and net debt.
- Communications strategy would focus on unqualified audit opinion as well as the Province's financial performance in beating its deficit targets.

Key Considerations

- With the issue of the qualification and revised numbers no longer an issue, individual ministry results could become the primary issue.
- Government could continue to work with Auditor General to determine the valuation of pension surpluses as an asset going forward.

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Individual ministry results may become focus of media coverage.	Individual ministries have been tasked with preparing issues notes to support mitigating any issues in the media. TBS will provide corporate issues management support.	• N/A

Issue/Consideration	Mitigation Strategy	Key Message*
Media and opposition may ask questions about the slight increase in deficit numbers.		• At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. • This marks the seventh year in a row that Ontario has beaten its deficit target, resulting in an accumulated deficit that is more than $25 billion lower than projected.
AG does not agree with Government's position on pension assets.	Revert to messaging about the complexity of the issue and attempts government has taken to resolve.	• It is unfortunate that the Auditor General and government could not agree on the interpretation of accounting treatment for pension assets. • Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.
AG does not agree with Government's position on pension assets but agrees to engage in a dialogue.	Revert to messaging about the complexity of the issue and attempts government has taken to resolve. Government will continue to pursue resolution (AG would need to agree). Joint decision to delay tabling of Public Accounts. (Go to scenario 1 – delay without amendments).	• As part of this year's Public Accounts work, the Auditor General has raised some questions regarding the Province's historical practices of reporting pension assets. • The treatment of pension assets is a complex accounting issue. • We are working closely with the Office of the Auditor General to resolve this accounting issue. • In light of this, the Province is proposing to defer the tabling of Public Accounts until this issue is resolved, or by date X.

Potential Communication Tactics and Products
- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools

Scenario 4: Government aligns with Auditor General's interpretation (NEW)

Option 1 – Auditor General gives an unqualified opinion

Overview:

- The Province must pass a regulation to implement the Auditor General's interpretation of the pension asset standards.
- This means the **financial results** reported in Public Accounts **would be revised** to align with her numbers (e.g. a $5 billion deficit in 2015-16). The impact of the change would also result in an additional $10.6 billion being added to the province's accumulated deficit.
- With these revisions, it is possible the Auditor General may give the Province an **unqualified opinion**.

Key Considerations

- Even using the revised numbers, the Province still beats the deficit projection outlined in the 2015 Budget.
- Communications would have to focus on the fact that government is still on track to balance the budget by 2017-18 despite the revised deficit numbers.
- Decision would need to be made about how proactively to profile the increased accumulated deficit numbers (a $10.6B addition). The increase could be profiled proactively in the news release, the backgrounder, and/or Minister's forward, or addressed reactively through media QsAs. Proactively profiling the increase would give the government the opportunity to frame the issue, vs. reacting to others' interpretations of the increase.

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Media and opposition may question why government needed to pass a regulation for this year's Public Accounts.	Proactive or reactive tactics to explain the government's rationale (see key considerations above).	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets. • To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices.
Media and opposition will question what impact the	Communications will focus on the fact that the results	• At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget.

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Issue/Consideration	Mitigation Strategy	Key Message*
$10.6B increase to accumulated deficit will have on the bottom line. Media and opposition may criticize the government for not being able to meet its deficit targets and balance the budget.	still beat the forecast in the 2015 Budget.	• This marks the seventh year in a row that Ontario has beaten its deficit target. • Our government remains committed to balancing the budget in 2017-18. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the programs and services that matter to Ontarians.
Media and opposition may ask questions about how the pension assets issue impacted the fiscal plan, including what this means for future years.	Communications will remain at a high level to speak to the impact of the new accounting treatment.	• Following a review of the Province's accounting policies for pension assets related to jointly sponsored pension plans, a decision was made to pass a regulation to change the government's accounting policy for pension assets. (More details to be added on reason for adopting new standard) • The government will be tabling a Fall Economic Statement in the coming weeks that will provide an update on the multi-year fiscal outlook.
Media/public may perceive this shift as the government misstating previous years' financial information.	Communications messaging will demonstrate how this change is strictly about the treatment of pension assets and that the fiscal plan remains on target.	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets. • To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the programs

Issue/Consideration	Mitigation Strategy	Key Message*
		and services that matter to Ontarians.
Media/public may be concerned over the impact to provincial pensions.	Communications will reassure that the pension plans are stable.	• I want to stress this issue relates solely to the Province's reported financial results and our interpretation of the accounting standards. The pension funds themselves continue to perform well and are currently reporting a funding surplus.

Potential Communication Tactics and Products
- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools (TBC depending on impact)

Option 2 – Auditor General gives a qualified opinion

Overview:

- The Province must pass a regulation to implement the Auditor General's interpretation of the pension asset standards.
- This means the **financial results** reported in Public Accounts **would be revised** to align with her numbers (e.g. a $5 billion deficit in 2015-16). The impact of the change would also result in an additional $10.6 billion being added to the province's accumulated deficit.
- Despite these revisions, the Auditor General may still give the Province a **qualified opinion** as she may believe that a regulation was not necessary to implement her interpretation of the standards.

Key Considerations
- Even under the revised numbers, the Province still beats the deficit projection outlined in the 2015 Budget.
- Communications would have to focus on the fact that government is still on track to balance the budget by 2017-18 despite the revised deficit numbers.
- Decision would need to be made about how proactively to profile the increased accumulated deficit numbers (a $10.6B addition). The increase could be profiled proactively in the news release, the backgrounder, and/or Minister's forward, or addressed reactively through media QsAs. Proactively profiling the increase would give the government the opportunity to frame the issue, vs. reacting to others' interpretations of the increase.
- Government will have to simultaneously manage the issues of increased deficit numbers as well as the Auditor General's qualification (the first in 23 years).
- The issue will be very confusing to the public. They will not easily understand how the government's numbers could be right if the Auditor General has still issued a qualification.
- Auditor General's reasons for qualifying the Public Accounts are weakest in this scenario. Government's messaging could include it has done everything it could to comply with the AG's opinion.

Issues Management Strategy:

See Scenario 4, Option 1 for issues relating to increased deficit numbers. Unique issues to this Scenario:

Issue/Consideration	Mitigation Strategy	Key Message*
Media and opposition will react negatively to a qualified opinion.	Communications will focus on the fact that the results still beat the forecast in the 2015 Budget.	• At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. • This marks the seventh year in a row that Ontario has beaten its deficit target. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the programs and services that matter to Ontarians.
Auditor General may proactively criticize government's regulation as unnecessary step.	Scale up messaging could be leveraged to make the Auditor General's position seem unreasonable.	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets. • To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • We have now brought that regulation into force and aligned with her interpretation. We have done everything we could to comply with the AG's opinion. We respectfully disagree with Auditor General's decision to qualify the Public Accounts after we aligned with her interpretation. • The treatment of pension assets is a complex accounting issue, the Public Sector Accounting Board has initiated a project to review pension accounting standards. They are currently in the process of scoping their

Issue/Consideration	Mitigation Strategy	Key Message*
		project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. • We will also provide input into this discussion.
The Auditor General is seen as a credible and authoritative source.	Scale up messaging could be leveraged to make the Auditor General's position seem unreasonable.	• To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • We have now brought that regulation into force and aligned with her interpretation. We have done everything we could to comply with the AG's opinion. We respectfully disagree with Auditor General's decision to qualify the Public Accounts after we aligned with her interpretation.

Potential Communication Tactics and Products

- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools (TBC depending on impact)